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Message Text

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TAGS: SOPN, OVIP (KISSINGER)

SUBJECT: PRESS MATERIAL

1. HEREWITH FULL TEXT MARVINE HOWE BYLINER NEW YORK TIMES WEDNESDAY, DECEMBER 29, HEADED "PORTUGAL IS WORRIED BY DE-LAY IN U.S. LOAN/EMERGENCY $300 MILLION IS NEEDED NOW 'TO STABILIZE THE SITUATION,' PRIME MINISTER DECLARES."

2. THE PORTUGUESE GOVERNMENT HAS EXPRESSED CONCERN OVER THE DELAY IN RECEIVING THE FINANCIAL ASSISTANCE FROM THE UNITED STATES THAT WAS REQUESTED LAST MARCH AND APPROVED IN PRIN-CIPLE LAST MONTH BY THE FORD ADMINISTRATION.

3. "WE MUST HAVE THE LOAN SUPPORT NOW TO STABILIZE THE SITU-ATION," PRIME MINISTER MARIO SOARES SAID THIS WEEK OF A $300 MILLION EMERGENCY LOAN PROMISED BY THE UNITED STATES.

4. ECONOMY MINISTER ANTONIO SOUSA GOMES SAID TODAY THAT IF
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THE EMERGENCY LOAN DID NOT ARRIVE NEXT MONTH, THE FIVE-MONTH-OLD SOCIALIST MINORITY GOVERNMENT WOULD BE FORCED TO TAKE HIGHLY UNPOPULAR AND ECONOMICALLY DISRUPTIVE MEASURES. SPEAKING IN AN INTERVIEW, HE SAID THESE INCLUDED RATIONING, FORCED SAVINGS, DRASTIC CUTS IN IMPORTS AND REDUCED SPENDING ON SOCIAL AND DEVELOPMENT MEASURES.

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5. THE PORTUGUESE HAVE BEEN INFORMED THAT THE LOAN IS TAKING LONGER THAN EXPECTED BECAUSE THE UNITED STATES TREASURY DEPARTMENT, WHICH MUST NEGOTIATE THE PROVISIONS OF THE AID, FACED SIMULTANEOUS LOAN REQUESTS FROM BRITAIN, ITALY AND MEXICO. ANOTHER REASON GIVEN WAS THAT THE FORD ADMINISTRATION WAS AT THE HEIGHT OF THE PROCESS OF TRANSITION TO THE INCOMING CARTER ADMINISTRATION.

6. THE PORTUGUESE REPORTEDLY HAVE NOT COMPLAINED TO THE UNITED STATES, BUT THEY SAY THEY ARE WORRIED THAT THE ASSISTANCE MAY COME TOO LATE TO DEAL WITH THE COUNTRY'S SERIOUS DEFICIT IN THE BALANCE OF PAYMENTS, NOW RUNNING AT ABOUT

$1.2 BILLION.

7. PORTUGAL WAS ALREADY WESTERN EUROPE'S POOREST COUNTRY WHEN THE RIGHT-WING DICTATORSHIP WAS OVERTHROWN IN APRIL ,97'. BUT AFTER TWO AND A HALF YEARS OF REVOLUTIONARY INSTABILITY, FOREIGN EXCHANGE RESERVES HAVE FALLEN SUBSTANTIALLY AND MUCH OF THE GOLD IS OBLIGATED TO WEST EUROPEAN COUNTRIES FOR LOANS. THE SOARES GOVERNMENT HAS MOVED TO RESTORE SOCIAL AND ECONOMIC ORDER BY CURBING WAGE INCREASES, RESTORING DISCIPLINE IN FACTORIES AND RETURNING SOME ILLEGALLY EXPROPRIATED FARMLANDS TO THEIR FORMER OWNERS, BUT ITS MOVES HAVE BEEN FOUGHT BY THE COMMUNISTS OR THE PARTIES TO THE RIGHT OR BOTH.

8. THE INITIAL REQUEST FOR SUBSTANTIAL FINANCIAL ASSISTANCE WAS MADE BY FORMER FINANCE MINISTER FRANCISCO SALGADO
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ZENHA DURING A VISIT TO WASHINGTON LAST MARCH. THE FORD ADMINISTRATION WAS RECEPTIVE, BUT THERE WERE DELAYS FIRST BECAUSE OF ELECTIONS IN PORTUGAL AND LATER BECAUSE OF THE UNITED STATES ELECTIONS.

9. FINALLY, JUST OVER A MONTH AGO, SECRETARY OF STATE HENRY A KISSINGER TOLD REPRESENTATIVES OF THE NORTH ATLANTIC TREATY ORGANIZATION THAT THE UNITED STATES WAS STUDYING A PROGRAM OF "SUBSTANTIALLY INCREASED ECONOMIC AID" TO PORTUGAL AND THAT LISBON WOULD BE INFORMED OF THE DECISION WITHIN A WEEK.

10. REPORTS FROM WASHINGTON AT THAT TIME SAID THAT THE FORD ADMINISTRATION HAD ALREADY APPROVED OF THE $300 MILLION EMERGENCY LOAN AND WOULD SEEK CONGRESSIONAL APPROVAL TO JOIN AN INTERNATIONAL CONSORTIUM TO PROVIDE $1.5 BILLION MORE IN LONG-TERM AID. THE EMERGENCY LOAN WAS TO COME FROM THE TREASURY DEPARTMENT'S EXCHANGE STABILIZATION FUND AND

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SO WOULD NOT REQUIRE SPECIFIC CONGRESSIONAL AUTHORIZATION.

11. SINCE THEN, THE PORTUGUESE MINISTER OF FINANCES, THE GOVERNOR OF THE BANK OF PORTUGAL AND THE UNITED STATES AMBASSADOR TO LISBON, FRANK C. CARLUCCI, HAVE FLOWN TO WASHINGTON FOR TALKS WITH ADMINISTRATION OFFICIALS.

12. MR. SOARES HAS REPEATEDLY WARNED THAT THE FATE OF PORTUGAL'S YOUNG DEMOCRACY IS DEPENDENT ON ECONOMIC RECOVERY. (END TEXT)
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